LEGISLATIVE
AUDIT
COMMISSION

Review of
Department of Human Services
Two Years Ended June 30, 2003

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REVIEW: 4209
DEPARTMENT OF HUMAN SERVICES
TWO YEARS ENDED JUNE 30, 2003

FINDINGS/RECOMMENDATIONS - 36
UNDER STUDY - 2
PARTIALLY ACCEPTED - 1
ACCEPTED - 14
IMPLEMENTED - 19

REPEATED FINDINGS - 6
PRIOR RECOMMENDATIONS - 17

This review summarizes the audit of the Department of Human Services for the two years ended June 30, 2003, filed with the Legislative Audit Commission on May 20, 2004. The auditors performed a financial and compliance audit in accordance with Government Auditing Standards and the Illinois State Auditing Act. The auditors stated that the financial statements were fairly presented. Compliance audits for the Department's 22 facilities were performed and appear in separate reports.

The Illinois Department of Human Services was created in 1997 and consolidated the Departments of Alcoholism and Substance Abuse, Mental Health and Developmental Disabilities, and Rehabilitation Services, along with the client-centered services provided through the Department of Children and Family Services, Public Aid and Public Health. Its primary mission is to assist Illinois residents to achieve self-sufficiency, independence and health, to the maximum extent possible, by providing integrated family-oriented service, promoting prevention and establish measurable outcomes, in partnerships with communities. The Secretary of the Department during most of the audit period was Linda Renèe Baker. Dr. Carol Adams was appointed Secretary, effective February 16, 2003. She is the current secretary. Dr. Adams had no previous association with the Department.

The average number of full-time equivalent employees was:

Division	FY03	FY02	FY01
Administrative Services	972	1,181	1,233
Community Health and Prevention	198	245	265
Transitional Services	180	241	248
Disability & Behavioral Health Services	10,585	12,904	13,009
Community Operations	3,743	4,989	5,217
TOTAL	**15,678**	**19,566**	**19,972**

Service Efforts and Accomplishments

Appendix A provides a summary of the Department's service efforts and accomplishments for the years ended June 30, 2003 and 2002, in all major areas—Developmental Disabilities, Mental Health, Rehabilitation Services, and Alcoholism and Substance Abuse. Appendix B summarizes statistics for certain federal programs administered by the Department including those that enable Temporary Assistance to Needy Families (TANF) clients to enter and remain in the work force.

Expenditures From Appropriations

The General Assembly appropriated $4,328,244,000 to the Department in FY03, a decrease of about $60.2 million, or 1.4%, over FY02. The Department received the fourth largest appropriation in the State budget for the FY03 budget year, behind Education, Public Aid, and Transportation. Total expenditures (including expenditures from non-appropriated funds) decreased from $4,172,967,000 in FY02 to $4,085,204,000 in FY03, a decrease of $87.8, or 2.1%. Appendix C presents a summary of appropriations and expenditures by fund for FY03, FY02, and FY01. Appendix D presents a summary of expenditures by major object code for the audit period.

Significant decreases in expenditures from the General Revenue Fund were due to budget constraints, some fund changes and a 20% decrease in the number of employees.

Cash Receipts

The Department's cash receipts decreased about $33 million, or 1.7%, from $1,877 million in FY02 to $1,845 million in FY03. Many changes are due to timing of federal grants awards, and the timing of draw downs and transfers, as in the Social Services Block Grant Fund.

Appendix E provides a summary of the Department's cash receipts.

Property and Equipment

Appendix F provides a summary of property and equipment for which the Department's Central Office was accountable during FY03 and FY02. The value of the Central Office's property and equipment was $116,467,248 at June 30, 2003. The value of the entire Department's capital assets, after depreciation, was $344,777,000 at June 30, 2003 comprised of $3.6 million in land and improvements; $43.6 million in site improvements; $280 million in building and building improvements; $3.2 million in capital leases – buildings; $14.3 million in equipment; and $117,000 in capital leases – equipment.

Accounts Receivable

Appendix G provides a summary of accounts receivable for FY03 and FY02. The Department's accounts receivable totaled $253,329,000 as of June 30, 2003. Almost $153 million in receivables is due from the Federal Departments of Human Services, Agriculture and Education.

Accountants' Findings and Recommendations

Condensed below are the 36 findings and recommendations included in the audit report. There are six previous findings from past audits. The following recommendations are classified on the basis of information provided by Carol Kraus, Chief Financial Officer, in a memo received August 25, 2004.

Under Study

15. Establish a centralized oversight function related to commodities to allow for strengthened internal controls.

Findings: The Department does not maintain a centralized oversight function over commodities. The auditors noted that one facility failed to perform a year-end physical inventory count of pharmaceutical inventory, and there were other problems related to overstocking of commodities and commodity inventories being improperly valued. The Bureau of Disability Determination Services maintained commodities inventories of $246,605 as of June 30, 2003 although the Department maintains a centralized warehouse.

Good business practice would required the Department to maintain a centralized oversight function for commodities to allow for economy of purchase, proper valuation, reduction of overstocking, and control over annual physical inventory processes to ensure complete and accurate inventories.

Department officials stated that controls over commodities were decentralized based upon job duties of legacy agencies. Strong internal controls would require a centralized oversight function related to commodities. The Department made commodities expenditures of almost $33.8 million in FY03 and $42.1 million in FY02. Ending commodities inventories were $12.9 million in FY03 and $17.4 million in FY02.

Updated Response: Under Study. The Department's Facility Management Committee is reviewing the process to determine the feasibility of centralizing the oversight of commodities.

Under Study – concluded

23. Communicate with vendors to ensure all taxes are properly adjusted on the Department's fuel purchases. Communicate information regarding exempt taxes to those employees whose jobs require the use of a State vehicle.

Findings: The Department purchased fuel that included State sales taxes (6.25% x gross sale) and federal excise taxes (18.4 cents per gallon-unleaded and 13.1 cents per gallon-gasohol), both of which are State-exempt taxes. The auditors noted instances in which the Department did not pay city excise taxes and diesel fuel taxes, which are not considered State-exempt. The auditors noted 10 of 79 vouchers containing 193 purchases that included exempt taxes that were not deducted on the billing.

The Department expends approximately $400,000 per year on fuel purchases. Department officials stated that the inconsistent application of fuel tax exemptions resulted from vendors that had not set up credit card reader codes properly.

Updated Response: Under Study. The Department consulted with Wright Express (Central Management Services' contractor) and was advised that they do not have a "no tax" agreement with the fuel stations. DHS will have to explore other ways to implement this recommendation.

Partially Accepted

4. Expend funds in accordance with the purpose for which they were appropriated, or request funds be transferred from other allowable line items within the Department.

Findings: The Department circumvented the appropriation process by paying personnel costs for four Developmental Centers from appropriations to the Central Office for awards and grants. During FY03, The Department's Central Office received a new appropriation for $2.45 million from the General Revenue Fund to support the placement of 100 State Operated Developmental Center residents from four Developmental Centers into Community Integrated Living Arrangements (CILAs). The transition of residents into the community never occurred. Instead, the Department expended almost $1.8 million to pay employees at the four Developmental Centers.

The Department also received a $371 million appropriation for intermediate care facilities for the mentally retarded and alternative community programs. $87,000 of this appropriation was used for personal services not related to intermediate care of residents.

Response: We partially disagree. We believe that the FY 2003 spending from both the Developmental Disability (DD) Community Transitions appropriation and the appropriation for Intermediate Care Facilities for the Mentally Retarded and Alternative Community Program was within the intent of the appropriation.

The budget plan called for the transition of 100 residents and a reduction of 102 facility staff. Due to the numerous complications related to the closure of the Lincoln Developmental Center, the Howe, Kiley, Ludeman and Murray facilities were unable to meet budget targets for reduced residents and staff reductions. As a result, the four facilities noted in the finding were required to spend from the transition account in order to support resident populations above the budgeted targets. The plan to fund the placement of LDC residents form the DD Long Term Care appropriation was shared multiple times with agency administration and the Governor's office. We believe the plan was fully within the intent and purpose of this appropriation and consistent with Comptroller's coding.

Accepted or Implemented

1. **Implement procedures to ensure GAAP Reporting Packages are prepared in an accurate and complete manner including:**
   - **Allocating sufficient staff resources and the implementation of formal procedures to ensure financial information from program personnel is prepared and submitted to GAAP personnel in a timely and accurate manner;**
   - **Implementation of a coordinated, centralized oversight function between the Federal Reporting Unit and the General Accounting Unit to ensure financial information is timely, accurate, and supported by an appropriate audit trail;**
   - **Develop a standardized federal reporting accounting system that agrees GAAP reporting processes with federal reporting processes. (Repeated-2001)**

Findings: The Department's year-end financial reporting in accordance with generally accepted accounting principles (GAAP) to the Office of the Comptroller contained numerous inaccuracies and incomplete data. These problems, if not caught and corrected, could materially misstate the Department's financial statements and impact the statewide financial statements prepared by the Comptroller.

The Comptroller requires State agencies to prepare and submit GAAP reporting package forms for each of their funds to assist in the annual preparation of the statewide financial statements and the Department's financial statements. The instructions are specified in the Statewide Accounting Management System (SAMS) manual.

Upon review of the June 30, 2002 and June 30, 2003 financial statements, the auditors noted untimely preparation of GAAP reporting packages and insufficient review of GAAP reporting packages. The auditors recommended extensive adjustments and corrections. Some of the problems noted were as follows:

Accepted - continued

- For FY02, 19 out of 57 funds required revisions to GAAP package forms, which included 64 entries for adjustments and/or reclassifications and three entries for government-wide entries. Seven of the funds required adjustments in excess of $1 million.

- For FY03, 14 of 61 funds required revision to GAAP package forms, which included 53 entries for adjustments and/or reclassifications. Eleven of the funds required adjustments in excess of $1 million.
- The Department made significant revisions to its FY03 expenditure amounts reported to the Comptroller for federal programs. The revisions ranged from $20.5 million to $48 million. These revisions were made as late as December 2003 in order to maximize the availability of federal funds.
- The FY02 GAAP package forms were not adequately reviewed prior to submission to the Comptroller.

Department officials stated many of these problems occur because GAAP reporting forms are submitted to meet Comptroller deadlines before final information is received from Department program personnel. Further, because of the number of funds, volume of transactions, and the need to maximize federal funding, there is a tremendous volume of work to perform in a limited time frame.

Updated Response: Accepted. The General Accounting Unit has allocated additional staff to assist in the GAAP package preparation process. Questionnaires were sent out again this year to request information from the program areas and General Accounting staff will follow up on nonresponses. A new reconciliation process is being developed through the cooperative efforts of the Federal Reporting Unit and the General Accounting Unit to ensure financial information is timely, accurate, and supported by an appropriate audit trail.

2. Develop a standardized federal reporting process that agrees GAAP reporting package processes with federal reporting processes. This should include:

- **Developing standardized systems within CARS that could provide the Department with timely prepared and accumulated information regarding expenditures of federal programs;**
- **Allocating sufficient staff resources and the implementation of formal procedures to ensure financial information is accumulated and appropriately utilized by program personnel, Federal Reporting Unit personnel, and GAAP preparation personnel in a timely and accurate manner;**
- **Implementing a coordinated, centralized oversight function between Federal Reporting Unit and the General Accounting Unit to ensure financial information is timely, accurate, and supported by an appropriate audit trail.**

Findings: The Department is not fully utilizing its current accounting system, Consolidated Accounting and Reporting System (CARS), to enable the timely and accurate accumulation of federal expenditures. The CARS is not accumulating all the information needed for federal reporting requirements, nor does it tie this information to the year-end financial reporting process that includes the reporting of federal expenditures, in accordance with generally accepted accounting principles (GAAP). This causes weaknesses in preparation of GAAP reporting packages submitted to the Comptroller and preparation of year-end Department financial statements. The Department expended $2.5 billion of federal funds in 92 federal programs, and $2.3 billion of federal funds in 85 federal programs, respectively in FY03 and FY02.

Some of the problems noted are as follows:

- The Department has no formal or specific overall policies and procedures to accumulate information related to federal programs. The primary accounting system, CARS is not used in a standardized or systematic manner to accumulate federal accounting information.
- CARS does not currently contain the capabilities to capture the information needed for reporting of federal expenditures for all the programs the Department administers, including payroll information.
- The Department administers several programs in which certain expenditures may qualify as allowable costs under one or more of these programs. In order to maximize federal funding, the Department often reallocates these expenditures to various federal programs very late in the federal fiscal year, which ends September 30^{th}.
- Subrecipient amounts are inaccurately recorded within the CARS accounting system. The failure to properly communicate subrecipient amounts could cause these entities to improperly prepare financial statements and their schedule of expenditures of federal awards, incur additional audit fees related to a single audit if expenditures were over-reported, or failure to obtain appropriate single audit federal coverage if expenditure were under-reported.

Department personnel indicated different federal program managers have always assisted with accounting for their own programs since the Department was created from the various legacy agencies in 1997. Although there is a Federal Reporting Unit, Department officials did not devote sufficient resources to integrate program managers and the Federal Reporting Unit responsibilities with the General Accounting Unit responsibilities and coordinating this effort through the Department's primary accounting system.

Response: We agree. DHS does not fully utilize its current accounting system for federal accounting purposes. We believe the issues surrounding timely and accurate accumulation of federal expenditures can be resolved by standardizing procedures

Accepted - continued

to enable adequate reconciliation between the federal expenditure reports and departmental financial statements. CARS has a grant reporting module that meets federal reporting requirements. Steps are currently being taken to interface payroll data to CARS at a greater level of detail, and the new interface will include grant-related coding. The implementation of the new interface is scheduled for the beginning of FY 2005. OFS will continue to improve the CARS system, as necessary, to better meet agency needs by:

- identifying and addressing actual shortcomings through system modifications when appropriate; and
- addressing perceived shortcomings, either procedurally or through staff training as necessary.

In the narrative description explaining this finding, the auditor notes that expenditures often qualify as allowable costs under one or more programs. Because of this flexibility, DHS is able to analyze expenditures and seek federal reimbursement to the maximum extent allowable by reassigning expenditures when necessary. Should DHS be required to identify all federal expenditures to a federal program prospectively, millions of dollars in federal funds would be left on the table. We do not believe that this is in the best interest of the State of Illinois. There is one instance where expenditures qualify for two programs at the same time (Child Care Cluster MOE and TANF MOE). The expenditures may only be recorded once, so they are identified with Child Care.

Updated Response: Accepted. The new payroll interface process is nearly completed and should be finalized by September 1, 2004. All previously processed SFY 2005 payrolls will be retroactively posted at a more detailed level. Additionally, a new reconciliation process is being developed through the cooperative efforts of the Federal Reporting Unit and the General Accounting Unit to ensure financial information is timely, accurate, and supported by an appropriate audit trail.

3. Continue to refrain from the practice of forward funding. (Repeated-2001)

Findings: DHS used current year appropriations to pay for future services to avoid lapsing funds. This practice resulted in other problems including inaccurate Department records, inadequate budgeting practices with subrecipients, confusion related to the year-end reconciliation process and inadequate cash management practices.

DHS analyzed its budget during the spring of FY02 and determined it would lapse appropriations. The Department solicited providers to determine uses for these funds and instituted a formal procedure to request contracts or contract amendments through completion of an internal “Request for Forward Funding” form. “Forward Funding” is used to pay for services to be performed in future years from current year appropriations.

The auditors noted the Department forward funded 12 providers a total of almost $3.4 million in FY02 appropriations for use in FY03. The Department forward funded $7.85 million of FY02 funds to FY03 in the employment and training programs.

During the audit period, the Office of Developmental Disabilities (ODD), the Office of Mental Health (OMH), and Office of Alcohol and Substance Abuse (OASA) extended contracts with providers and expended more than $3.5 million for services past the end of the FY02 to avoid lapse. Department records also noted $762,500 was forward funded to Americorp program providers out of FY03 for services to be performed in FY04.

Other problems with “Forward Funding” include:

- Forward Funding results in inadequate cash management. As a result, providers have use of State resources for extended periods of time.
- Forward funding makes the closeout and unspent funds recovery process more difficult. The Department cannot properly match grantee expenses and services since the services to which the expended funds will be matched will not occur until the next fiscal year.
- When forward funding, the reporting of payments to providers in the form of fiscal year-end confirmations to the providers’ independent auditors do not include the lapse period forward funding payment since it was out of the prior year’s appropriation.
- Management override of the CARS accounting system controls was used to enable acceptance of forward funding payments by using erroneous service dates to enable acceptance at the Comptroller’s Office.
- During FY02 GAAP reporting package testing, DHS identified $10.9 million of adjustments to its General Revenue Fund due to forward funding.

Department management stated that instances of forward funding are “grants” subject to the Illinois Grants Fund Recovery Act. The auditors described the character of the majority of these payments as “fee for service purchase of care” contracts, which are not allowed under the Act.

As a result of a prior audit recommendation, in October 2002, both the Department and the Legislative Audit Commission requested formal written opinions from the Attorney General. Neither the Department nor the Audit Commission has received an opinion.

Response: We agree. Procedures were implemented in April 2003 to discontinue the practice of forward funding.

5. Follow appropriate procedure for charting expenditures in accordance with legislative intent. Seek appropriation transfers when necessary, or develop a cost allocation plan to document and justify the methodology used in charging pharmaceutical expenditures throughout the Department.

Accepted - continued

Findings: The Department had no consistent methodology for charging pharmaceutical costs among the Department’s Bureau of Pharmacy and Clinical Support Services

(BPCSS) and Department facilities. We noted charges for pharmaceuticals were based on fund availability and not on actual usage.

BPCSS serves as the Department's centralized warehouse for pharmaceutical commodities, and distributes these items to the various mental health and developmental disabilities facilities. These costs are generally first charged to BPCSS commodities appropriations. When BPCSS appropriations are exhausted, pharmaceutical costs are charged to other facilities' appropriations based on fund availability. There are not procedures to reconcile actual commodity use by facility to ensure drug costs are appropriately allocated based on usage. As a result, facilities may be charged for drugs they never receive, or not charge for drugs they receive.

Examples of these expenditures were as follows:

- During FY03, 7 of 18 facilities or centers incurred $399,465 of expenditures related to BPCSS purchases. These expenditures were charged to facilities or centers based upon fund availability, not based upon usage or distribution of pharmaceutical inventory over the fiscal year.
- Similarly, during FY02, 13 of 20 facilities or centers incurred $695,089 of expenditures related to BPCSS purchases.
- The Treatment and Detention Facility was charged for $245,654 and $121,290 of BPCSS purchases during FY03 and FY02, respectively.
- During FY03, another central office division for administration and program support was charged for $318,012 in BPCSS purchases.

Department personnel stated these expenditures were considered to be for facilities' pharmaceutical needs, so no appropriation transfer was considered necessary.

Response: We agree. We will establish and implement procedures to ensure expenditures are in accordance with legislative intent.

6. Implement the following controls over postage:

- **Develop a more effective means of matching yearly postage expense to the funds appropriated for that fiscal year. The Department should also analyze postage needs for the beginning of the next fiscal year to determine reasonable carryover balances;**
- **Develop procedures to ensure postage purchases are made from contractual services appropriations, not awards and grants appropriations;**
- **Develop procedures to ensure postage usage reports for all postage meters are complete, accurate, and prepared timely;**
- **Develop procedures to ensure all postage on hand as of the end of the fiscal year is properly recorded for financial statement and GAAP Package Reporting purposes.**

Findings: During the auditors' review of postage usage, they noted the Department is requesting postage for their meters and postage warrants at the end of the fiscal year in excess of reasonably expected usage for the beginning of the next fiscal year. The Department inappropriately charged significant postage expenditures to appropriations for awards and grants, and did not properly complete internal *Postage Meter Usage Reports*, resulting in errors in year-end financial information reports to the Comptroller.

At June 30, 2002, the Central Office maintained almost $3.6 million in postage on hand, including vouchers in transit, which is about 6.4 months of postage based upon June 2002 usage. At June 30, 2003, the Central Office maintained $2.68 million in postage on hand.

The practice of expending remaining appropriations at the end of a fiscal year to accumulate postage circumvents the appropriation process by using prior year appropriations for current year costs.

The auditors also noted the Department inadequately monitored postage usage during FY02 and FY03. During the auditors' testing, they noted that the FY02 report on postage meter usage did not contain various information for 114 of 126 meters. The FY03 report was properly completed.

Updated Response: Implemented. Postage balances are posted on the internet and checked weekly to ensure that spending is within the acceptable levels. In addition, postage meter reports are submitted to this office on a monthly basis to better monitor postage needs.

7. Adopt standardized procedures for closing out grants and recovering unspent grant funds. Specifically assign responsibilities to OCA and the program areas. Adopt policies for the informal hearing process, collect unspent funds in compliance with the Grant Funds Recovery Act, and strengthen procedures for reviewing grantee audits to ensure unspent funds are properly collected.

Findings: The auditors noted weaknesses in the Department's procedures for reviewing final grant expenditures reported by grantees and the Department's subsequent recovery of unspent grant funds.

Accepted - continued

Annually, the Department reconciles approximately $1 billion of grants and contracts awarded to over 1,000 providers. The Department awards grants in two basic manners: reimbursements to grantees based on eligible grant costs, or payment based on services projected to be provided in the contract or grant agreement. The auditors noted because of varying methods for determining unspent grant amounts and the multiple ways of recovering these amounts the process is complex and not always standardized. The current grant close-out and recovery process also causes confusion among recipients of the grant funds. Some of the specific weaknesses noted were:

- Two instances in which the Office of Contract Administration (OCA) made a final determination that unspent funds were to be returned to the Department only to have the program area later intervene to request the funds be approved for another program. Funds were restored because of a prior approval that was not communicated to OCA.
- During the audit period, the Office of Transitional Services (OTS) converted employment and training programs from purchase of services (POS) to grants reconciled by expenses prior to year end, so OTS could forward fund monies to the providers to pay for future services.
- One provider had unspent funds at the end of its grant totaling $80,164. Instead of immediately returning the funds, the Department allowed the provider to repay these funds in two installments, $40,164 repaid in FY04 and $40,000 to be repaid in FY05.
- The Department is not recovering all unspent funds from grantees. One provider audit identified $148,888 as due to the Department at June 30, 2001. The auditors noted no follow-up or collection by the Department.

Updated Response: Accepted. The Department will formalize the grant closeout process in an agency-wide Administrative Directive. Specific responsibilities will be assigned via the Administrative Directive. Documentation will be maintained for all aspects of the grant closeout process including the informal hearings. The new procedures will be effective for the FY04 closeout.

8. Ensure all receipt transfers or adjustments are immediately recorded in the CARS accounting system. Promptly investigate and post any adjustments noted when performing Comptroller reconciliations. (Repeated-2001)

Findings: DHS failed to deposit federal receipts into the proper fund, and due to the lack of an adequate receipt reconciliation process, this error was not corrected by the Department and had to be adjusted by the auditors. The auditors noted the following:

- During the GAAP reporting process, federal receipts were not deposited into the funds from which the Department claimed expenditures. During FY03, significant receipts for the Child Care Cluster programs were drawn and deposited into the DHS Special Purpose Trust Fund, in excess of expenditures from this fund. Additionally, DHS made significant expenditures related to these programs from GRF, in excess of program receipts drawn and deposited into the fund. These funds' receipt and expenditure patterns were not reasonably consistent. As a result, the DHS Special Purpose Trust Fund had significant deferred revenue balances and GRF had a significant receivable from the federal government. A $35.5 million adjustment was recorded in these two funds during the GAAP reporting process to match the actual amounts due from the federal government as of June 30, 2003.

- The Department failed to adjust for FY03 TANF program transfers of $20.5 million to the Social Service Block Grant program. As a result, a $13.8 million adjustment was required for GRF and Early Intervention Services Revolving Fund to properly match receipts with expenditures incurred before June 30, 2003

The Department does not have an adequate process in place to identify receipts deposited into the wrong fund on the Department's and Comptroller's records. The Department prepared monthly fund reconciliations during the fiscal year, but did not identify the excess cash balances maintained in the DHS Special Purpose Trust Fund. In addition, the Department did not initiate receipt transfers or adjust federal draw down patterns to compensate for these excess cash balances. The General Accounting Unit prepares monthly receipt and fund reconciliations, but the Federal Reporting Unit is responsible for initiating federal receipt transfers or adjusting federal draw down patterns.

In addition, the lack of communication between the Federal Reporting Unit and the General Accounting Unit resulted in errors in the preparation of GAAP reporting packages. When GAAP reporting packages are prepared, the General Accounting Unit utilizes receipts as reported on the Department's and Comptroller's records. The failure to deposit receipts in the proper fund or make necessary adjustments based upon program transfers, results in significant adjustments during the GAAP reporting process by the Department or the auditors.

The auditors also identified the following exception related to the Department's receipts reconciliation process:

- 23 out of 40 revenue source codes tested contained reconciling items that were not corrected within one to two months of identification.
- 500 reconciling items in the DHS Recoveries Trust Fund.
- As of March 2004, the Department was still posting receipt adjustments to the CARS accounting system for FY2000 through FY03.
- The Department did not notify the Comptroller of the discrepancies, which ranged from $306,000 to $3.1 million that were reconciling items for the Comptroller's records.

Updated Response: Implemented. All Fiscal Year 2004 receipt transfers and adjustments were posted timely to CARS. Also, adjustments noted when completing Comptroller reconciliations were promptly investigated and posted.

Accepted - continued

9. Devote sufficient resources to file all outstanding Medicare cost reports as well as additional reports to receive final settlements for fiscal years 2002 and 2003. Ensure all future Medicare cost reports are filed in a timely manner.

Findings: The Department has not filed FY03 Medicare cost reports with the Medicare intermediary resulting in a suspension of monthly Medicare payments. After the Department provides Medicare the final cost reports and the costs have been reconciled to payments, the Department receives a final settlement for the year. Due to filing delays, annual Medicare settlements have not as yet been received for FY02 and FY03.

The Department was eligible to claim monthly Medicare reimbursements for nine facilities in FY02 and eight facilities in FY03. Five of the nine FY02 cost reports were filed after the November 30, 2002 deadline because DHS was waiting on facility information in order to finalize the cost reports. Four cost reports were filed in December 2002 and the final cost report was filed on October 31, 2003, eleven months late. As of February 1, 2004, DHS had not filed any of the eight FY03 cost reports.

Federal law states if a provider has failed to timely file an acceptable cost report, payment to the provider is immediately suspended in whole or in part until a cost report is filed and determined by the intermediary to be acceptable.

Department personnel state Medicare reports have not been filed due to lack of available staff. Failure to file these reports in a timely manner has resulted in the current suspension of Medicare reimbursements totaling approximately $400,000 per month.

Response: Implemented. Medicare cost reports were completed April 16, 2004. The Department has received notification that the cost reports were accepted. Staffing vacancies were recently filled.

10. Implement policies and procedures to ensure that the daily billing rates are updated annually no later than April 1.

Findings: The Department did not update daily billing rates for residents in State mental health or developmental disability facilities in a timely manner, resulting in approximately $172,000 of lost revenue to the State. For FY02, DHS updated the daily billing rates on December 1 of the following year instead of April 1 of the following year.

Updated Response: Implemented. Daily billing rates were updated April 19, 2004. Policies and procedures have been developed to ensure that billing rates are updated on a timely basis. New staff has been trained.

11. Periodically analyze the estimated uncollectible percentages for the Mental Health and DHS Recoveries Trust Funds, and ensure estimated uncollectibles are fairly presented in a consistent manner. Report the collections each quarter properly in the "within 180 days" and "after 180 days" categories.

Findings: DHS does not update its calculations for uncollectible accounts receivable in a consistent and timely manner. As a result, accounts receivable and the related allowance for uncollectible accounts are not properly reported to the Comptroller as part of the annual GAAP reporting process or on quarterly accounts receivable report submitted to the Comptroller.

Updated Response: Implemented. The estimated uncollectible percentages for the Mental Health Fund and DHS Recoveries Trust Fund have been analyzed and a process established for consistent determination. The percentages will be reassessed on an annual basis. The quarterly accounts receivable reports for 6/30/04 were prepared using these new estimated uncollectible percentages. The collection amount cannot be categorized within 180 days and after 180 days due to programming issues which was noted on the quarterly accounts receivable reports.

12. Implement cash management procedures to periodically review the cash balances in all locally held funds to determine if excess funds should be placed in interest bearing accounts. Accurately and consistently prepare the Locally Held Funds Report (Form C-17) based on balances reported on the Department's accounting records.

Findings: DHS lacks a formal process at the facility level to periodically review locally held fund cash balances to determine if excess funds should be placed in an interest bearing account. In addition, the Department prepares the quarterly Reports of Receipts and Disbursements for Locally Held Funds (Form C-17) inconsistently based on the balances reported on the Department's accounting records.

Updated Response: Implemented. Procedures have been implemented to periodically review cash balances in locally held funds. Also, all locally held reports (C-17) are reviewed for consistency with Department accounting records.

13. Record all loan receivable balances in the internal accounting system, maintain adequate documentation of each loan including the current status of each student, establish guidelines for estimating the amount considered uncollectible or that should be written off, record and collect interest per the loan agreement, and pay a maximum of $4,000 each year per student and provide one loan per student in a calendar year.

Accepted - continued

Findings: The Department had inadequate controls for awarding, tracking and reporting loans from the Hansen-Therkelsen Memorial Deaf Student College Fund. The Fund is used to make low interest loans, not exceeding four years, to deaf students to obtain a college education. Interest does not accrue on the loan until six months after the borrower has stopped full time attendance in college courses. Then, the borrower shall repay the loan in monthly installments over a reasonable amount of time. The auditors noted the following during testing:

- The Department does not maintain an adequate listing of individual loan receivable balances owed;

- The Department does not charge or collect interest on the loan receivable balances;
- The Department does not report 100% of the loans receivable on the quarterly accounts receivable reports submitted to the Comptroller;
- The Department did not write off a loan receivable balance in a timely manner;
- The Department issued a loan to one student in the amount of $5,800 in November 2002 when the maximum amount allowed annually is $4,000. This student had already received a loan of $3,600 in March 2002.

Updated Response: Implemented. All loan receivable balances have been identified and follow up will be performed each semester. Interest is now recorded for each new loan. Illinois School for the Deaf (ISD) has established internal controls to ensure each student receives only one loan up to a maximum of $4,000 in a calendar year. ISD and Bureau of Collections are working together to ensure that uncollectibles are consistently identified and written off timely.

14. File all quarterly reports on Locally Held Funds with the Comptroller in a timely manner.

Findings: The Department did not file the Report of Receipts and Disbursements—Locally Held Funds (Form C-17) for two Department funds for seven of eight quarters of FY02 and FY03.

Response: Implemented. The "Report of Receipts and Disbursements – Locally Held Funds" (Form C-17) required for Fiscal Year 2004 were filed timely with the Comptroller's Office for all DHS locally held funds.

16. Monitor inventory order points to ensure purchases are based on reasonable estimates of future usage. In addition, make overstocked items available to other State agencies.

Findings: When testing the Department's Warehouse Control System, the auditors noted 24 out of 60 items tested had ending inventory levels in excess of one-year's usage. The auditors computed the annual usage for the items tested and noted a total of $240,126 in excess inventory. This included $83,122 of items that had no usage in the past 12-month time period.

Department personnel stated excessive inventories were primarily due to consolidating legacy agency inventories when the Department was formed in 1997, along with technology and program changes that drastically reduced usage.

Response: We agree. We are establishing and implementing procedures to ensure that inventory is monitored and purchases are based on reasonable estimate of future use. In addition, we will reiterate to staff that overstocked items should be surplused.

17. Ensure all inventory unit costs are properly recorded on the Warehouse Control System (WCS). Include periodic testing to ensure the system is properly calculating inventory values. Develop a standardized cost accounting system for all internally printed materials to ensure all costs are properly recognized. (Repeated-1999)

Findings: The Department is improperly recording the value of commodity inventory accounted for on the Warehouse Control System (WCS). The computer system used to track and value inventory at the Springfield and Chicago warehouses reported a value of $2,539,769 at June 30, 2003. Department officials state the WCS uses a weighted average method to determine the carrying cost of inventory. The auditors noted the following problems with 18 of 60 items selected for testing:

- The Department was unable to provide supporting documentation in the form of vendor invoices for seven of 60 items originally purchased by DPA;
- The Department incorrectly entered a unit price for five items; and
- The Department incorrectly entered unit prices for six items that were internally printed.

Department personnel stated the underlying cause of these errors is a lack of availability of information for commodities purchased by other agencies, as well as a lack of review to ensure implemented procedures are being adequately performed.

Updated Response: Implemented. The Office of Business Services recalculated the unit cost on all in-house printed items. This is now done on an annual basis.

18. Develop and implement procedures to analyze the travel vouchers of frequent travelers in order to determinate the appropriate designated headquarters.

Accepted - continued

Implement procedures to review Form TA-2s for accuracy and completeness prior to timely submission to the Legislative Audit Commission.

Findings: When the auditors reviewed Department travel vouchers, they noted Travel Headquarters Reports (TA-2) filed with the Legislative Audit Commission were not properly reviewed or completed. Three report forms were filed late. Two of three employees who should have been listed on the TA-2 were cited in a previous audit as using incorrect headquarters on travel vouchers. This was corrected in December 2002.

Updated Response: Accepted. TA-2s are mailed semi-annually to executive staff members. Beginning 12/04, there will be a statement added to the memo to have executive staff remind supervisors to check the TA-2s for accuracy as this also affects travel vouchers.

19. Establish effective controls over travel and stringently enforce adequate review and approval of travel requests, as well as review and approval of travel expenses prior to reimbursement. Collect any overpayments previously made to travelers.

Findings: DHS does not have an adequate system of internal control over travel costs incurred by employees. The auditors noted the following:

- Three instances where employees failed to obtain approval for out-of-state travel;
- Duplicate expenses were paid to two travelers;
- The Department does not adequately review employee travel vouchers;
- Claim for mileage was overstated on one travel voucher;
- One travel voucher was missing receipts for expenses;
- Travel vouchers for one employee contained vouchers in which the employee's signature did not match the signature within payroll files;
- The Department does not adequately review overnight lodging to assess its necessity;
- Employees used personal automobiles for travel on a regular basis rather than utilizing a State automobile. Two employees were reimbursed $7,184 and $10,416, respectively, for personal automobile mileage;
- One employee submitted travel vouchers from reimbursement that included 66 trips from (to) the employee's home to (from) various Department locations, while passing through the employee's assigned headquarters; and
- Another employee received reimbursement for a trip from Springfield, his headquarters, to Rockford, his residence.

The Department may be incurring excessive travel costs by not enforcing travel policies. DHS's Central Office incurred travel costs of almost $3.8 million in FY03 and $.4 million in FY02.

Response: We agree. We have developed additional pre-audit procedures. All central office administrative voucher functions were moved to the Office of Fiscal Services on March 1, 2004. All Central Office administrative vouchers are now being reviewed with consistent application of travel policy. We are attempting to fill three staff vacancies to ensure all vouchers are properly reviewed.

Updated Response: Implemented. New pre-audit procedures for Central Office travel vouchers have been implemented including a new voucher checklist to ensure all voucher elements are reviewed for accuracy. The Department has not been able to hire replacement staff to review non-Central Office travel vouchers.

20. Central Office and facilities should document their review of telecommunications charges and phone calls and ensure such review is performed in a consistent manner throughout the Department. The Department should incorporate the specific documentation procedures related to directory assistance usage in the current Administrative Directive 03.03.

Seek reimbursement from any vendors, including security companies, for use of State telephone equipment.

Findings: Individuals assigned responsibility for reviewing Department phone bills at DHS did not document their review of telecommunications invoices and phone calls made by Department employees. During the auditors' testing of 60 phone calls, they noted the following problems:

- Five of 60 calls appeared to be personal in nature, but were not explained by the Department;
- Phone logs were not properly completed related to six of 10 out-of-state phone calls;
- Personal calls were made but not reimbursed by the employees;
- A DHS calling card was used for a 41 minute personal call that was in excess of the period allowed by the Travel Regulations while on travel status;
- Multiple calls were made by security guards, including out-of-state and directory assisted calls, but were not submitted for reimbursement from the security company under contract with the Department. Five phone stations utilized by security guards accounted for over 38,400 minutes of phone use; and
- Several directory assistance calls were placed.

During testing of 23 facility phone bills, the auditors noted these problems:

Accepted - continued

- Facility personnel could not identify the purpose of the calls, the callers, or if the calls were work related;
- Phone logs were not properly completed related to out-of-state calls; and
- Several collect calls were received.

Response: We agree. Policies and procedures will be developed to ensure the review process is documented and consistently followed by agency staff. The Administrative Directive will be revised as necessary. Telephone bills for security guards are now closely scrutinized with adjustments made to contract payments for inappropriate usage.

Updated Response: Accepted. The Administrative Directive is being rewritten to include verbiage on directory assistance usage. All telecommunications vouchers processed by the Office of Fiscal Services are checked to ensure they have all necessary review documentation and authorizing signatures before they are approved for payment.

21. Ensure complete, accurate and timely information is entered into the fleet database. In addition, monitor the assignment of vehicles and ensure the information is properly maintained and reported.

Findings: DHS did not have adequate accounting records for Department owned vehicles. The Department had 590 vehicles, 51 of which were specifically assigned to Department employees. The auditors tested records for all 51 personally assigned vehicles and noted instances of incomplete mileage records, lack of documentation for repair costs, lack of annual certifications related to license and insurance coverage, and inconsistencies between fleet database records and payroll records.

DHS personnel stated during FY02 and FY03, due to changes in staffing, the Department had four different vehicle coordinators. Responsibility for maintenance of the fleet database changed hands several times.

Response: Implemented. We are monitoring the assignment of vehicles and updating the fleet database when changes occur.

22. Communicate the requirement to file accident reports in a timely manner to those employees whose jobs involve travel and monitor the submission of accident reports to ensure that the requirement is being followed. (Repeated-2001)

Findings: DHS did not report all accidents involving State vehicles to CMS timely. The auditors noted that 22 of all 91 accidents were reported between one and 62 days late. As a condition of coverage, employees involved in a motor vehicle accident are required to have a legible written report of the accident in the CMS Risk Management Office not later than seven calendar days following the accident. Failure to report an accident could leave the employee totally and solely financially liable for all damages incurred.

Updated Response: Implemented. The Department is reviewing accident reports to ensure they are being submitted within the three-day notification requirement. The applicable Division Administrators will be notified of any staff noncompliance. The Department will reiterate the requirement to file accident reports in a timely manner to those employees whose job involve travel by developing a memo to place in packets that are given to State employees picking up State vehicles.

24. Train employees, supervisors and workers' compensation coordinators on Department policy regarding their responsibilities relating to work related accidents and injuries, particularly the timely completion of injury and accident report forms (CMS 900-1 and CMS 900-3).

Findings: Department employees and their supervisors did not file required Workers' Compensation reports timely. These reports detail work related accidents, injuries and illnesses. The auditors noted that of 50 Workers' Compensation files tested, seven injury reports were dated after 24 hours of the reported date of injury and ten accident reports were dated after 24 hours of the injury. These reports ranged from 1 to 119 days late.

Department personnel stated these forms were not completed and filed in a timely manner due to lack of employee knowledge and enforcement of the reporting requirements.

Updated Response: Accepted. The "Workers' Compensation Coordinator's Manual" is being revised to strengthen the language regarding the submission of the required forms (CMS 900-1 and CMS 900-3) within the mandated 24 hours of injury or illness. Distribution is scheduled for September. The Administrative Directives will be updated to include supervisory and employee responsibilities regarding work related accidents and injuries including timely reporting. A Workers' Compensation brochure will be included in the New Employee Informational Packets.

25. Strengthen internal controls over EDP equipment by appropriately segregating the receiving, custody and disposal functions relating to Department EDP equipment.

Findings: DHS did not adequately segregate duties over the receipt, custody and disposition of EDP equipment. The auditors noted that the same individual who was responsible for initiating the order of EDP equipment was also responsible for receipt of the equipment and disposal of all EDP equipment. The employee also manages the warehouse where EDP equipment is kept.

Accepted - continued

Response: Implemented. The duties of managing the EDP warehouse were recently assigned to another person different from the person responsible for ordering EDP equipment.

26. Create a standard tool or form that is used in performing monitoring of Comprehensive Community Based Youth Services (CCBYS) program providers and to properly train field staff on how to perform monitoring field visits. Establish a plan to perform on-site monitoring visits utilizing this standard monitoring tool and appropriately document all such monitoring visits.

Findings: The Department does not have adequate monitoring standards or procedures to monitor providers receiving funds from the Comprehensive Community Based Youth Services (CCBYS) program.

DHS awarded approximately $13 million per year to about 58 providers under the CCBYS program during FY02 and FY03. The auditors selected 25 providers for testing the Department's monitoring of the CCBYS program. There were no monitoring procedures or standards in place for the program. Of the 25 providers selected for monitoring testing, seven were visited by monitors but it was not documented as to what monitoring was being performed or what standards should be followed. There was not a site visit performed for one provider. The monitoring documentation for the remaining 17 providers was not available because Department personnel stated there was no documentation. Further, CCBYS programs have not been given guidance on the standards which the monitors should be reviewing.

Unmonitored providers can lead to unachieved program goals, and a lack of comprehensive and integrated community based youth services. The standards which CCBYS program sets are used to assist local organizations in developing programs which address the problems of youths and their families. Failure to implement and monitor such standards creates opportunities for unrealized maximum potential for the CCBYS program and can lead to misuse of program funding.

Updated Response: Accepted. Effective with the beginning of FY2005 all CCBYS provider contracts will include performance standards that will be tracked on the eCornerstone system. In addition, a workgroup comprised of DHS staff and representatives from selected providers is meeting regularly to develop current programmatic standards. It is anticipated that the first draft of the standards will be available for review before the end of the calendar year. Upon completion of the standards, a monitoring tool will be developed to guide regional staff in on-site monitoring of the CCBYS providers. This should occur no later than the beginning of FY06.

27. Work with the Illinois Advisory Council on Alcoholism and Other Drug Dependency in fulfilling the statutory requirements regarding the appointment of a Special Committee on Licensure. Work with the Committee on Women's Alcohol and Substance Abuse Treatment in fulfilling their statutory requirement regarding quarterly meetings. Fulfill the statutory requirement regarding the Interagency Alcoholism and Other Drug Dependency Board or seek a legislative remedy to the statutory requirements. (Repeated-2001)

Findings: The Department was not in compliance with statutory mandates regarding advisory councils, committees and boards. The Special Committee on Licensure was not appointed by the Illinois Advisory Council on Alcoholism and Other Drug Dependency, and the Committee on Women's Alcohol and Substance Abuse Treatment and the Interagency Alcoholism and Other Drug Dependency Board did not meet as required by State law.

Response: Implemented. All statutory requirements have now been met.

28. Fulfill the statutory requirements regarding the Early Intervention Program by including the missing items to update the Early Intervention website as required by the Act, and update the website timely as more current information becomes available. Fulfill the statutory requirement regarding the enrollment of Division

of Specialized Care for Children (DSCC) providers established by the Early Intervention Service System Act.

Findings: The Department was not in compliance with statutory mandates related to the Early Intervention Program. The Department did not post certain information to its Early Intervention website as required by the Early Intervention Services System Act, nor did it require individuals applying for or renewing enrollment as a provider of services in the Early Intervention Program to state whether or not he or she is also enrolled as a Division of Specialized Care for Children provider in Compliance with the Early Intervention Services System Act.

Updated Response: Implemented. Information will be posted in a more timely manner. The computerized roster of Early Intervention providers now identifies those providers that are also DSCC providers.

29. Establish policies and procedures for developing and implementing interagency agreements regarding child care services in compliance with the Children and Family Services Act and assess issues of applicability and service system barriers annually.

Accepted - continued

Findings: The Department did not establish policies and procedures for developing and implementing interagency agreements with other agencies of the State providing child care services or reimbursement for such services in compliance with the Children and Family Services Act.

The Act designates DHS as the lead agency to coordinate all statewide day care activities. We noted that DCFS provides day care services under the Foster Care program and to wards of the State. DCFS total expenditures for day care provider payments were $33.850 million and $36.187 million during FY03 and FY02, respectively. The Department did not have policies and procedures for developing and implementing an interagency agreement with DCFS or assessing issues of applicability and service system barriers annually.

DHS management stated the Department did not provide funding to DCFS, so it did not feel an interagency agreement was necessary.

Updated Response: Accepted. Staff from the Department of Human Services have met with Department of Children and Family Services staff and have agreed with the recommendation to establish policies and procedures for developing and implementing interagency agreements regarding child care services in compliance with the Act and access issues of applicability and service system barriers annually. We are in the process of drafting the policies and procedures in compliance with the Children and Family Services Act.

30. Work with CMS to revise the educational and experience requirements for the CMS Class Specifications for Security Therapy Aides (STA) Trainees and STAs. Establish formal policies and procedures for annual training of all STAs and facility employees at the Treatment and Detention Facility (TDF). In addition, review the facility resource allocation.

Findings: DHS' Treatment and Detention Facility is where approximately 200 inmates convicted of sexually violent crimes, and who are still considered a danger to society, are housed. When the auditors tested the Department's Treatment and Detention Facility (TDF), they noted several items related to hiring and training procedures that should be addressed:

- The basic line personnel that deal with committed persons at the TDF on a day-to-day basis are Security Therapy Aids. The position specification for the STA does not set a minimum education and experience requirement for applicants to ensure that newly hired employees have adequate core knowledge and experience. According to the job requirements, the position requires the capability to adjust to mentally ill individuals under conditions of maximum security. Other CMS job specifications for positions that require interaction with committed persons require the applicant to have the knowledge, skill and mental development equivalent to completion of four years of high school as well as successful completion of an approved training program.
- The Department does not have formal policies and procedures outlining the manner and content of annual training of STAs at the TDF. Establishing formal training requirements through written policies and procedures would give the staff and Training Officer a standard set of training rules to follow and ensure all staff receive the training necessary.
- The Department's TDF would benefit from additional staffing. STAs performed multiple duties such as inventory, distribution of resident clothing, personal supplies, commissary supplies, mail, and inventory and distribution of resident cleaning supplies, as well as administrative duties.

Updated Response: Accepted. DHS will work with CMS to formulate educational and experience requirements for STA trainees and STAs. Facility Directives have been drafted to establish formal policies and procedures for annual training of employees at the TDF. DHS will review and assess personnel and staffing at the Treatment Detention Facility.

31. Address the staff resource allocations at the Treatment and Detention Facility (TDF), especially in the most critical areas of security. Review the TDF organization chart to address the organizational structure and staff resource allocation and delete any positions deemed to be nonessential.

Findings: When the auditors reviewed the June 30, 2003 organization chart for the Department's Treatment and Detention Facility (TDF), they noted that 21 of the 52 administrative positions were not filled as follows:

- Under the Security Director branch, 6 of 20 positions were vacant, including the director of security, the unit director of Building A and the unit director of control/movement.
- Under the Assistant Facility Director branch, 8 of 17 positions were not filled including the Clinical Director and 3 of 4 rehabilitation services personnel.
- Under the Quality Assurance and Improvement branch, 5 of 9 positions were vacant.

Updated Response: Accepted. A spending plan was developed that eliminates vacancies in order to operate within the FY05 appropriation provided to the Sexually Violent Persons Program by the General Assembly. Organization changes are under review.

Accepted – continued

32. Strengthen controls over timekeeping at the Treatment and Detention facility (TDF) by enforcing the sub mission of Request for Time Off Forms and by implementing an automated timekeeping system to more accurately track employee time. Take appropriate action for Security Therapy Aides (STAs) who are regularly absent or tardy.

Findings: During the auditors' review of timekeeping procedures at the Department's Treatment and Detention Facility, they noted weaknesses regarding the timekeeping system, including lack of proper documentation for time off and inadequate sign-in procedures. The auditors noted 140 instances during May and June 2003 when employees took compensatory time off without submitting the approved Request for Time Off Forms. An automated timekeeping system such as a time clock or keycard system would alleviate discrepancies on what time employees actually arrived for work.

Updated Response: Implemented. Timekeeping controls have been developed to assure that proper paperwork is completed to support employee requests for time off. A vendor was interviewed to study the feasibility of implementing an automated time keeping system. Due to budget constraints it is not feasible to purchase this system at this time. The TDF implemented a tracking system to assure that there is timely follow-up each time there is an unauthorized absence within the facility.

33. Develop necessary reports from the Consolidated Accounting and Reporting System (CARS) rather than developing spreadsheets from the accounting system to track vendor payments and spending availability. Upgrade the Treatment and Detention Facility (TDF) Trust Fund accounting system to provide management with timely and useful accounting information, and that controls be implemented relating to trust fund receipts and deposits.

Findings: The auditors noted the business office at the Department's Treatment and Detention Facility (TDF) had inefficiencies due to lack of updated computer software and integrated systems. The auditors also identified weaknesses in maintaining the TDF Trust Fund checkbook, receipts and accounts. Specific issues noted were as follows:

- The TDF does not utilize the Department's primary accounting system, CARS. Vouchers are currently prepared at the TDF and forwarded to Tinley Park Mental Health Center where they are processed and entered into CARS.
- The Trust Fund system was written in the early 1980s and does not reflect advancements in computer programming which increase functionality. Staff are sometimes unable to retrieve the reports they need to answer inquiries. For instance, the system does not produce a single report of all receipts and disbursements for a single resident.
- The Trust Fund system dumps Trust Fund data after three months so that it is no longer retrievable electronically and older reports must be kept in printed format.

Updated Response: Accepted. The Treatment and Detention Facility (TDF) Business Office staff have CARS inquiry capabilities. CARS entry capability will be provided when Business Office staff assume responsibility for the accounting duties. TDF Business Office staff have been provided Crystal Reports for use to assist in the tracking of vendor payments and spending availability and have received CARS training. The Department's Facility Management Committee will review the feasibility of updating the Trust Fund accounting system. TDF Business Office staff have been provided Crystal Reports for use to assist in the tracking of vendor payments and spending availability and have received CARS training.

34. Implement a phone system at the TDF that will allow for the review and tracking of personal calls. TDF management should strengthen their controls over accepting outside calls and perform a thorough review of telephone line usage and eliminate lines that receive little or no use.

Findings: The phone system utilized at the Department's Treatment and Detention Facility (TDF) does not allow TDF personnel to adequately review and identify personal phone calls.

Updated Response: Accepted. Budget limitations prohibit the purchase of a new phone system that would track employee use of phone lines. TDF staff were reminded of the DHS phone policy. In addition, the internal security investigator attempts to identify non-work related long distance calls and who they may be attributed to for reimbursement.

35. Implement the Commodity Control System (CCS) at the TDF to track and value the commodities inventory. Policies and procedures should also be implemented for accountability of the commodity items. In addition, periodic physical counts should be conducted and reconciled to the inventory system.

Findings: The Department's Treatment and Detention Facility (TDF) did not timely record its commodities inventory, did not accurately report its inventory for financial reporting purposes, and has inadequate internal control over access to the commodities.

When items are delivered to the TDF loading dock, no specific individuals are responsible for counting and recording these items. Receiving reports were signed by numerous individuals. Many signatures were not legible. The inventory is kept in the basement of the TDF. Personnel can access the inventory items before it is brought down to the basement. The FY02 inventory was not calculated, and the FY03 inventory was not taken and calculated until approximately two months after the end of the fiscal year.

Accepted - concluded

Updated Response: Implemented. All furniture and equipment purchased by the TDF has been entered into the Commodity Control System.

36. Illinois Center for Rehabilitation and Education (ICRE) management should designate a training coordinator and establish procedures for monitoring and ensuring all employees receive the required annual personnel development training.

Findings: Not all Illinois Center for Rehabilitation and Education (ICRE)-Wood employees received all the required personnel development training. Five of 10 employees tested in 2002, and six of 10 employees tested in 2003, did not receive the required 30-day annual training as provided in the union agreement. Two of 10 employees tested did not receive any training during FY03. The existing policy on training requires a specific number of annual training hours for each job classification that varies from 15 to 40 hours.

Updated Response: Implemented. At ICRE-Wood the union contract requires three days of mandatory training. ICRE-W administrative assistant is working to ensure all staff attends training as required. Trainers will continue to come on-site to provide training between terms. A copy of all training requests and sign-in sheets will be placed in the employee(s) personnel file as part of monitoring procedures for staff development.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states that "the principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY03 the Department filed two affidavits for emergency purchases totaling $162,844.00, as follows:

- $67,969.00 for asbestos abatement at Choate Mental Health Center; and
- $94,875.00 to board up lower windows at Lincoln Developmental Center.

During FY02 the Department filed three affidavits for emergency purchases totaling $550,504.58, as follows:

- $32,500.00 for flu vaccine;
- $282,000.00 for fire safety repairs at Shapiro Developmental Center; and
- $236,004.58 for asbestos abatement at Shapiro.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State Agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

The Department filed a headquarters report on July 17, 2003 indicating it had 464 employees assigned to locations other than official headquarters.